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November 2000

Brunei

Brunei is important to world energy markets because it exports nearly 200,000 barrels per day of oil, is a large liquefied natural gas producer, and because it is located close to vital sea lanes through the South China Sea linking the Indian and Pacific Oceans.

Note: information contained in this report is the best available as of November 2000 and can change.



GENERAL BACKGROUND

Brunei's small, wealthy economy is a mixture of foreign and domestic entrepreneurship, government regulation and welfare measures, and village tradition. It is almost totally supported by exports of crude oil and natural gas, with revenues from the hydrocarbons sector accounting for over 50% of GDP, around 80%-90% of exports, and 75%-90% of government revenues. Per capita GDP is far above most other developing countries (although sharply down from its high point around 1980), and substantial income from overseas investment supplements income from domestic sources. The government provides for all medical services and subsidizes food and housing. Real GDP growth in 2000 is estimated at 3.0-3.5%, up sharply from 1999, largely due to higher oil prices. Growth may be even higher in

2001, but only if oil prices remain high. Brunei served as chairman for the APEC (Asian Pacific Economic Cooperation) forum held in November 2000, hosting 5,000-7,000 delegates and heads of state, including U.S. President Bill Clinton.

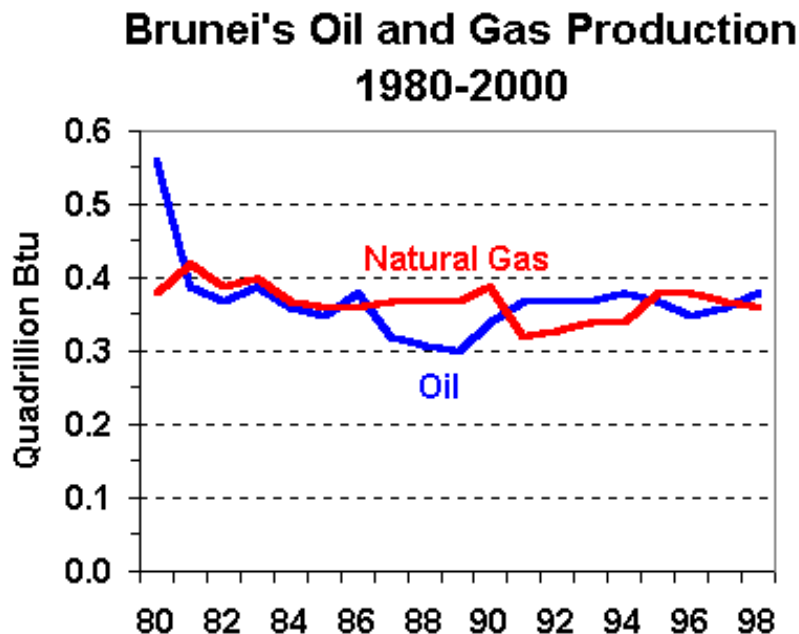
Brunei's economy experienced difficulties with the Asian economic crisis of 1997, plus the crash in oil prices during 1998 and early 1999. Meanwhile, the Brunei Investment Agency, which at one point was worth around \$110 billion, has now fallen in value to an estimated \$30-\$40 billion. In 1998, a large local conglomerate, the Amedeo Development Corp., collapsed, causing the country's real estate sector to decline precipitously. Brunei's main economic problems include rising unemployment (especially among recent college graduates), huge state subsidies, a civil service which employs

around 75% of Brunei's workforce, extensive state economic controls, a chronic (and worsening) budget deficit, a small tax base, and a heavy reliance on the hydrocarbons sector. Sharply higher oil and gas export revenues in late 1999 and 2000 have improved Brunei's economic situation, at least in the short run.

Brunei would like to diversify away from hydrocarbons into areas like tourism (the country boasts unspoiled tropical forests, beaches, shipwrecks, the world's largest palace, and gilded mosques, among other things) and financial services, plus energy-intensive industries like petrochemicals, oil refining, and aluminum smelting. Brunei has declared 2001 as "Visit Brunei Year."

OIL

Brunei contains proven crude oil reserves of 1.4 billion barrels and produces 191,000 barrels per day (bbl/d) of mainly low-sulfur oil, plus around 22,000 bbl/d of natural gas liquids. This is down from peak production (of around 250,000 bbl/d) reached in 1979. The country is located close to vital sea lanes through the South China Sea, linking the Indian and Pacific Oceans. Oil production peaked in 1979 at more than 240,000 bbl/d, but was cut back deliberately to extend life of the fields and to improve recovery rates. Brunei has seven offshore oil fields, including Champion (which contains about 40% of total oil reserves and produces around 50,000 bbl/d), Southwest Ampa (the oldest field, with more than half of Brunei's gas reserves and production), Fairley, Fairley-Baram, Magpie, Gannet, and Iron Duke, plus two more fields onshore. Major customers for Brunei's oil include Japan, South Korea, Singapore, Taiwan, and Thailand.



Brunei Shell Petroleum (BSP), a 50-50 joint venture between Royal Dutch/Shell and the government of Brunei, for years has been the only oil producer in the country and also operates the country's only oil refinery. A second consortium, this one between TotalFinaElf and Brunei-based Jasra International Petroleum, also has been active in Brunei oil exploration since the 1980s. Oil and gas production from the offshore Maharajah/Lela/Jamaludin field, operated by

TotalFinaElf (along with New Zealand's Fletcher Energy), came online in early 1999. In August 2000, Fletcher Energy announced that it was curtailing its Brunei exploration program, begun in April 2000, after its third well, East Egret 1, failed to find any significant amounts of oil or gas.

Oil production began in Brunei in 1929, with the discovery of the giant Seria Field on the coast. Production from Seria peaked at around 100,000 bbl/d in the 1950s. Significant undeveloped oil reserves are believed to remain in Brunei's current producing fields, given the application of advanced technology and modern drilling techniques. Also, as of November 2000, Brunei was planning to offer blocks in its offshore, 200-mile Exclusive Economic Zone (EEZ) for oil and gas exploration in "open areas" (as opposed to disputed areas in the South China Sea/Spratly Islands area). Bidding is set to begin in the first quarter of 2001 and to close in November 2001, with blocks scheduled to be awarded in early 2002. Reportedly, more than a dozen companies have expressed interest in this bidding, which includes what one geologist calls "the best piece of deep water in South East Asia." One possible complication is that Brunei's EEZ overlaps with other countries' South China Sea claims.

Downstream

Brunei has 1 refinery, with a capacity of 8,600 bbl/d. The country consumes around 20,000 bbl/d of

products (gasoline, distillate, jet fuel, etc.).

NATURAL GAS

Brunei produces around 0.3 trillion cubic feet (Tcf) of natural gas per year, around 90% by BSP and 10% by TotalFinaElf/Fletcher. Brunei began the first Asian liquefied natural gas (LNG) exports -- to Japan -- in 1972. Today, major customers for Brunei's LNG exports include Japan, which takes around 90% of Brunei's LNG exports under a long-term contract renewed in 1993, and South Korea. Brunei hopes to increase its LNG production and exports significantly in coming years. The 50-50 Brunei LNG (BLNG) joint venture between Mitsubishi and Shell produces Brunei's LNG.

Long-term prospects for gas development in Brunei are excellent. BLNG hopes to add 11.5 Tcf of gas to meet its expansion plans, including addition of a new, 4-million-ton-per-year gas liquefaction "train" at its Lumut facility by 2008. Currently, BLNG produces 6.7 million tons per year of LNG. Brunei also is planning on expanding its current fleet of seven specially-designed LNG tankers. Besides exports, Brunei would like to use its natural gas to develop domestic petrochemicals and energy-intensive industries (like aluminum smelting).

ELECTRICITY

Brunei's installed electric generating capacity in 1998 was 0.4 gigawatts (GW), of which all was gas-fired. Brunei's power demand is growing at a rapid rate of around 7%-10% annually. Brunei's power plants all operate single gas turbines, with the exception of the Lumut cogeneration facilities. Also, there are plans to convert the Gadong-11 plant to combined cycle at some point.

COUNTRY OVERVIEW

Sultan and Yang di-Pertuan, Prime Minister: Sultan Hassanal Bolkiah (since October 5, 1967)

Independence: January 1, 1984 (from the United Kingdom)

Population (2000E): 336,000

Location/Size: Southeastern Asia, bordering the South China Sea and Malaysia on the north-west corner of the island of Borneo/2,228 square miles (slightly larger than Delaware)

Major Cities: Bandar Seri Begawan (capital)

Languages: Malay (official), English, Chinese, Iban, and other indigenous dialects

Ethnic Groups: Malay (62%), Chinese (15%), indigenous (6%)

Religions: Muslim (67%), Buddhist (13%), Christian (10%), indigenous beliefs and other (10%)

Defense (2000E): Total manpower available 104,000 (Land Forces; Navy; Air Force; Royal Brunei Police)

ECONOMIC OVERVIEW

Finance Minister: Sultan Hassanal Bolkiah

Currency: Brunei Dollar (BND)

Market Exchange Rate (11/16/00): US\$1 = 1.74 BND

Gross Domestic Product (GDP) (1999E): \$5.6 billion (purchasing power parity -- PPP)

Per Capita GDP (1999E, PPP): \$17,400

Real GDP Growth Rate (1999E): -0.5%-0.6% **(2000E):** 3.0%-3.5% **(2001F):** 4.4%-4.5%

Inflation Rate (consumer prices) (1999E): 1.0%

Unemployment Rate (unofficial estimate, 2000E): 10% (higher for recent graduates)

Merchandise Exports (1998E): \$1.9 billion

Merchandise Imports (1998E): \$1.7 billion

Merchandise Trade Balance (1998E): \$0.2 billion

Major Trading Partners (1999): Japan, Singapore, United Kingdom, United States, Malaysia

Major Export Products: Natural gas and crude oil, refined oil products

Major Import Products: Machinery and transport equipment, manufactured goods, food

International Reserves (1998E): \$4.0 billion

Total Foreign Debt (2000E): None

ENERGY OVERVIEW

Proven Oil Reserves (1/1/00E): 1.4 billion barrels

Oil Production (January-August 2000E): 213,000 bbl/d, of which 191,000 bbl/d was crude oil

Oil Consumption (2000E): 20,000 bbl/d

Net Oil Exports (2000E): 195,000 bbl/d

Crude Oil Refining Capacity (1/1/00E): 8,600 bbl/d

Natural Gas Reserves (1/1/00E): 13.8 trillion cubic feet (Tcf)

Natural Gas Production/Consumption (1998E): 0.3 trillion cubic feet (Tcf)

Electric Generation Capacity (1/1/98E): 0.41 gigawatts
Electricity Production (1998E): 2.6 billion kilowatthours (all thermal)

ENVIRONMENTAL OVERVIEW

Total Energy Consumption (1998E): 0.07 quadrillion Btu* (0.2% of world total energy consumption)

Energy-Related Carbon Emissions (1998E): 1.09 million metric tons of carbon (0.02% of world carbon emissions)

Per Capita Energy Consumption (1998E): 230 million Btu (vs U.S. value of 350.7 million Btu)

Per Capita Carbon Emissions (1998E): 3.6 metric tons of carbon (vs U.S. value of 5.5 metric tons of carbon)

Energy Intensity (1998E): 17,500 Btu/ \$1990 (vs U.S. value of 13,400 Btu/ \$1990)**

Carbon Intensity (1998E): 0.27 metric tons of carbon/thousand \$1990 (vs U.S. value of 0.21 metric tons/thousand \$1990)**

Fuel Share of Energy Consumption (1998E): Natural Gas (50%), Oil (50%)

Fuel Share of Carbon Emissions (1998E): Oil (58%), Gas (42%)

Renewable Energy Consumption (1998E): None

Status in Climate Change Negotiations: Not a party to or signatory of the Kyoto Protocol.

Major Environmental Issues: Seasonal smoke/haze resulting from forest fires in Indonesia. .

Major International Environmental Agreements: Party to the Endangered Species, Law of the the Sea, Ozone Layer Protection, and Ship Pollution treaties

* The total energy consumption statistic includes petroleum, dry natural gas, coal, net hydro, nuclear, geothermal, solar and wind electric power.

**GDP based on EIA International Energy Annual 1998

OIL AND GAS INDUSTRIES

Refinery: Brunei Shell Petroelum Co. Sdn. Bhd. -- Seria (8,600 bbl/d)

Foreign Energy Company Involvement: Shell, in a joint venture called Brunei Shell Petroleum, is the country's main oil and gas production company, and operates Brunei's only refinery. Mitsubishi is active in the Brunei LNG joint venture, and TotalFinaElf (along with New Zealand's Fletcher Energy) is the operator at a new offshore oil and gas field, Maharajah/Lela/Jamaludin.

Oil and Gas Fields: Champion, Southwest Ampa, Fairley, Fairley-Baram, Magpie, Gannet, and Iron Duke

Sources for this report include: Agence France Presse; Alexander's Gas and Oil Connections; Associated Press; Australian Department of Foreign Affairs and Trade (Country Brief on Brunei); Brunet; Business Times (Singapore); CIA World Factbook; Dow Jones News wire service; Economist Intelligence Unit ViewsWire; Hart's Deepwater International; Japan Economic Newswire; Los Angeles Times; New York Times; Oil and Gas Journal; Petroleum Intelligence Weekly; Petromin ("Oil, Gas and LNG in Brunei -- The Future"); U.S. Commerce Department, International Trade Administration -- Country Commercial Guides; U.S. Energy Information Administration; U.S. State Department Background notes on Brunei; Washington Post; World Oil.

Links

For more information from EIA on Brunei, please see:

[EIA - Country Information on Brunei](#)

Links to other U.S. Government sites:

[2000 CIA World Factbook - Brunei](#)

[US Department of State Consular Information Sheet -- Brunei \(April 2000\)](#)

[US Embassy in Brunei](#)

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